

WALTHALL COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

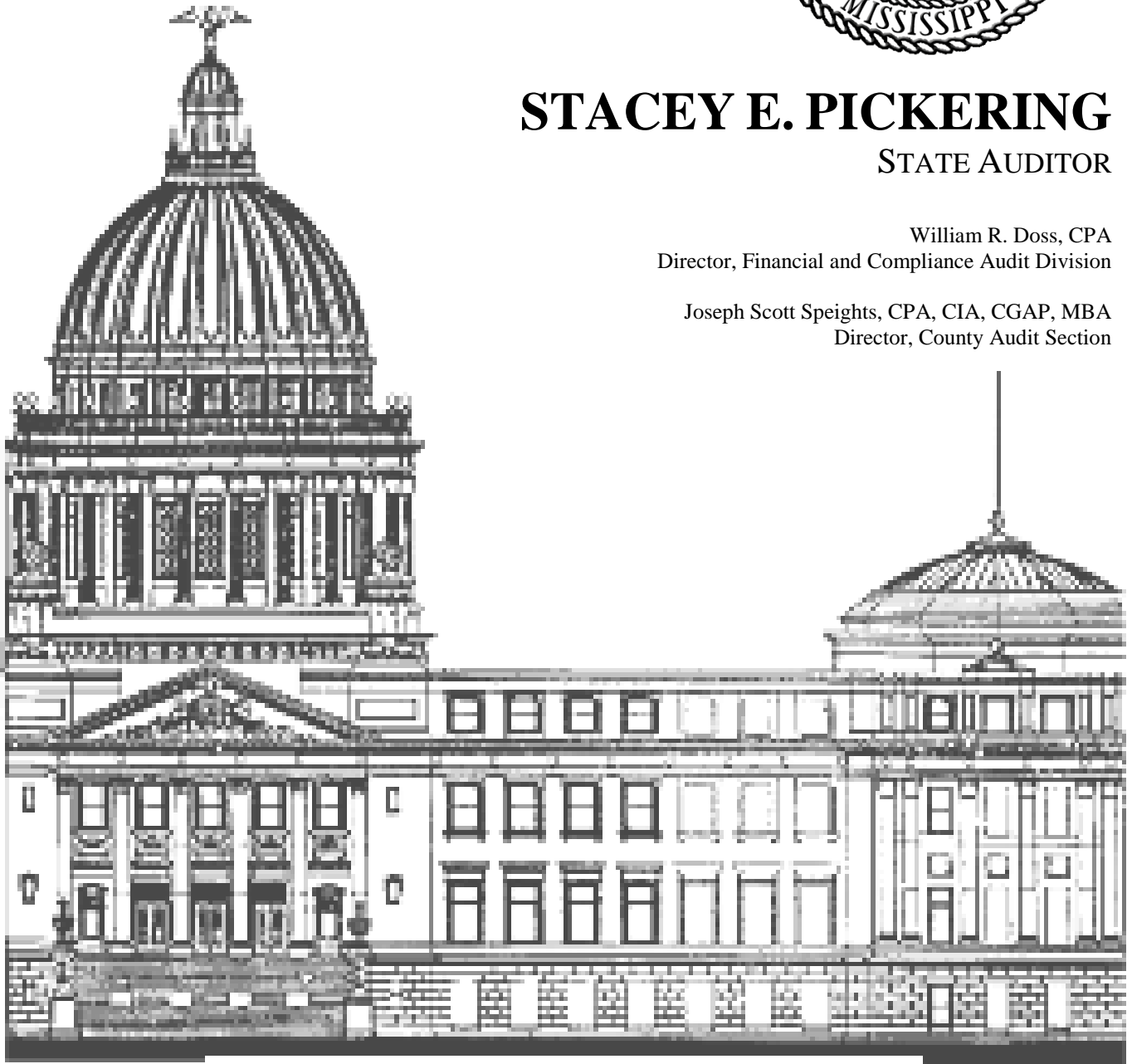


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

June 28, 2012

Members of the Board of Supervisors
Walthall County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Walthall County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Walthall County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Walthall County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

WALTHALL COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet – Governmental Funds.....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances -Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Assets – Proprietary Fund.....	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	14
Statement of Cash Flows – Proprietary Fund	15
Statement of Fiduciary Assets and Liabilities	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis - General Fund)	36
Notes to the Required Supplemental Information	37
SPECIAL REPORTS.....	39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	43
Limited Internal Control and Compliance Review Management Report.....	49
SCHEDULE OF FINDINGS AND RESPONSES	53

WALTHALL COUNTY

FINANCIAL SECTION

WALTHAM COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Walthall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Walthall County General Hospital, a component unit, which represent 100 % of the assets, net assets, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the reports of the other auditors.

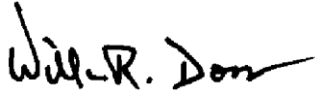
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, on our consideration of Walthall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Walthall County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 28, 2012

WALTHAM COUNTY

FINANCIAL STATEMENTS

WALTHAM COUNTY

(This page left blank intentionally.)

WALTHALL COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hospital
ASSETS				
Cash	\$ 3,883,162	225,971	4,109,133	1,334,215
Property tax receivable	3,784,250		3,784,250	
Patient accounts receivable (net of estimated uncollectibles of \$2,573,562)				1,077,614
Accounts receivable (net of allowance for uncollectibles of \$583,657)		45,552	45,552	
Fines receivable (net of allowance for uncollectibles of \$5,212,356)	1,341,282		1,341,282	
Loans receivable	1,210,560		1,210,560	
Intergovernmental receivables	276,383		276,383	
Other receivables	21,529		21,529	
Internal balances	34,423	(34,423)		
Inventories				224,719
Estimated third party payor settlements				999,525
Other current assets				13,505
Prepaid expense				69,083
Noncurrent cash and investments:				
Held by trustee for self-funded health insurance				1,133
Internally designated for capital acquisitions				365,867
Capital assets:				
Land and construction in progress	182,661		182,661	
Other capital assets, net	7,274,643	159,269	7,433,912	1,214,751
Other assets				264,314
Total Assets	<u>18,008,893</u>	<u>396,369</u>	<u>18,405,262</u>	<u>5,564,726</u>
LIABILITIES				
Claims payable	325,100	20,285	345,385	294,199
Accrued salaries and withholdings				475,465
Intergovernmental payables	238,363		238,363	
Accrued interest payable	23,280		23,280	
Deferred revenue	3,784,250		3,784,250	
Unearned revenue		34,796	34,796	47,817
Other payables	69,430		69,430	
Due within one year:				
Capital debt	302,204	22,762	324,966	99,829
Non-capital debt	154,326		154,326	
Due in more than one year:				
Capital debt	894,822		894,822	232,249
Non-capital debt	1,042,424	5,431	1,047,855	
Total Liabilities	<u>6,834,199</u>	<u>83,274</u>	<u>6,917,473</u>	<u>1,149,559</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,260,278	136,507	6,396,785	882,673
Restricted:				
Expendable:				
General government	474,660		474,660	
Debt service	579,027		579,027	
Public safety	265,506		265,506	
Public works	390,822	176,588	567,410	
Culture and recreation	46,725		46,725	
Unemployment compensation	13,572		13,572	
Capital projects	1,512,020		1,512,020	
Unrestricted	1,632,084		1,632,084	3,532,494
Total Net Assets	<u>\$ 11,174,694</u>	<u>313,095</u>	<u>11,487,789</u>	<u>4,415,167</u>

The notes to the financial statements are an integral part of this statement.

WALTHALL COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Hospital
Primary government:								
Governmental activities:								
General government	\$ 2,186,215	365,300	93,429		(1,727,486)		(1,727,486)	
Public safety	1,839,927	173,574	193,427	3,834	(1,469,092)		(1,469,092)	
Public works	2,452,204		681,237	257,548	(1,513,419)		(1,513,419)	
Health and welfare	92,699		33,548		(59,151)		(59,151)	
Culture and recreation	300,853	5,129			(295,724)		(295,724)	
Education	819				(819)		(819)	
Conservation of natural resources	70,285				(70,285)		(70,285)	
Economic development and assistance	278,349			165,067	(113,282)		(113,282)	
Interest on long-term debt	109,643				(109,643)		(109,643)	
Total Governmental Activities	<u>7,330,994</u>	<u>544,003</u>	<u>1,001,641</u>	<u>426,449</u>	<u>(5,358,901)</u>		<u>(5,358,901)</u>	
Business-type activities:								
Solid waste	<u>616,046</u>	<u>706,385</u>				90,339	90,339	
Total Business-type Activities	<u>616,046</u>	<u>706,385</u>	<u>0</u>	<u>0</u>		<u>90,339</u>	<u>90,339</u>	
Total Primary Government	<u>\$ 7,947,040</u>	<u>1,250,388</u>	<u>1,001,641</u>	<u>426,449</u>	<u>(5,358,901)</u>	<u>90,339</u>	<u>(5,268,562)</u>	
Component unit:								
Wathall County General Hospital	<u>\$ 11,128,280</u>	<u>10,913,455</u>	<u>80,747</u>	<u>114,290</u>				<u>(19,788)</u>
Total Component Unit	<u>\$ 11,128,280</u>	<u>10,913,455</u>	<u>80,747</u>	<u>114,290</u>				<u>(19,788)</u>
General revenues:								
Property taxes					\$ 3,787,113	19	3,787,132	
Road & bridge privilege taxes					183,685		183,685	
Grants and contributions not restricted to specific programs					395,575	3,200	398,775	
Rental income							0	35,020
Unrestricted interest income					180,508	4,895	185,403	41,975
Miscellaneous					301,171	29,043	330,214	98,166
Gain on sale of capital assets								8,600
Total General Revenues					<u>4,848,052</u>	<u>37,157</u>	<u>4,885,209</u>	<u>183,761</u>
Changes in Net Assets					<u>(510,849)</u>	<u>127,496</u>	<u>(383,353)</u>	<u>163,973</u>
Net Assets - Beginning					<u>11,685,543</u>	<u>185,599</u>	<u>11,871,142</u>	<u>4,251,194</u>
Net Assets - Ending					<u>\$ 11,174,694</u>	<u>313,095</u>	<u>11,487,789</u>	<u>4,415,167</u>

The notes to the financial statements are an integral part of this statement.

WALTHAM COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Multicraft Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 2,172,907	165,749	1,544,506	3,883,162
Property tax receivable	2,572,000		1,212,250	3,784,250
Fines receivable (net of allowance for uncollectibles of \$5,212,356)	1,341,282			1,341,282
Loans receivable - current		50,896		50,896
Intergovernmental receivables	139,434		136,949	276,383
Other receivables	21,529			21,529
Due from other funds	6,595		36,379	42,974
Advances to other funds	27,828			27,828
Loans receivable - noncurrent		1,159,664		1,159,664
Total Assets	<u>\$ 6,281,575</u>	<u>1,376,309</u>	<u>2,930,084</u>	<u>10,587,968</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 95,668		229,432	325,100
Intergovernmental payables	230,703			230,703
Due to other funds	44,039			44,039
Deferred revenue	3,913,282		1,212,250	5,125,532
Other payables	69,430			69,430
Total Liabilities	<u>4,353,122</u>	<u>0</u>	<u>1,441,682</u>	<u>5,794,804</u>
Fund balances:				
Reserved for:				
Debt service			602,307	602,307
Loans receivable		1,159,664		1,159,664
Advances	27,828			27,828
Unemployment compensation			13,572	13,572
Unreserved - undesignated, reported in:				
General Fund	1,900,625			1,900,625
Special Revenue Funds			736,812	736,812
Capital Project Funds		216,645	135,711	352,356
Total Fund Balances	<u>1,928,453</u>	<u>1,376,309</u>	<u>1,488,402</u>	<u>4,793,164</u>
Total Liabilities and Fund Balances	<u>\$ 6,281,575</u>	<u>1,376,309</u>	<u>2,930,084</u>	<u>10,587,968</u>

The notes to the financial statements are an integral part of this statement.

WALTHALL COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,793,164
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,768,510.	7,457,304
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,341,282
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,393,776)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(23,280)</u>
Total Net Assets - Governmental Activities	\$ <u><u>11,174,694</u></u>

The notes to the financial statements are an integral part of this statement.

WALTHALL COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Funds		Other	Total
	General	Multicraft	Governmental	Governmental
	Fund	Building	Funds	Funds
		Fund		
REVENUES				
Property taxes	\$ 2,599,679		1,187,434	3,787,113
Road and bridge privilege taxes			183,685	183,685
Licenses, commissions and other revenue	161,074		5,129	166,203
Fines and forfeitures	140,542			140,542
Intergovernmental revenues	607,341		1,216,324	1,823,665
Charges for services	12,170		144,563	156,733
Interest income	82,606	40,608	57,294	180,508
Miscellaneous revenues	114,241		197,116	311,357
Total Revenues	<u>3,717,653</u>	<u>40,608</u>	<u>2,991,545</u>	<u>6,749,806</u>
EXPENDITURES				
Current:				
General government	2,179,571			2,179,571
Public safety	1,218,584		431,301	1,649,885
Public works	28,169		2,583,487	2,611,656
Health and welfare	192,437			192,437
Culture and recreation	2,200		316	2,516
Education	500		319	819
Conservation of natural resources	70,285			70,285
Economic development and assistance	63,714		177,289	241,003
Debt service:				
Principal			520,509	520,509
Interest			111,992	111,992
Total Expenditures	<u>3,755,460</u>	<u>0</u>	<u>3,825,213</u>	<u>7,580,673</u>
Excess of Revenues over (under) Expenditures	<u>(37,807)</u>	<u>40,608</u>	<u>(833,668)</u>	<u>(830,867)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt			249,370	249,370
Proceeds from sale of capital assets			21,853	21,853
Transfers in	411,749		623,985	1,035,734
Transfers out	(444,649)		(591,085)	(1,035,734)
Total Other Financing Sources and Uses	<u>(32,900)</u>	<u>0</u>	<u>304,123</u>	<u>271,223</u>
Net Changes in Fund Balances	(70,707)	40,608	(529,545)	(559,644)
Fund Balances - Beginning	<u>1,999,160</u>	<u>1,335,701</u>	<u>2,017,947</u>	<u>5,352,808</u>
Fund Balances - Ending	<u>\$ 1,928,453</u>	<u>1,376,309</u>	<u>1,488,402</u>	<u>4,793,164</u>

The notes to the financial statements are an integral part of this statement.

WALTHALL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (559,644)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,096,385 exceeded capital outlay of \$827,883 in the current period.	(268,502)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$10,186 and the proceeds from the sale of \$ 21,853 in the current period.	(32,039)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	80,525
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$520,509 exceeded debt proceeds of \$249,370.	271,139
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(4,677)
Decrease in accrued interest payable	<u>2,349</u>
Change in Net Assets of Governmental Activities	\$ <u>(510,849)</u>

The notes to the financial statements are an integral part of this statement.

WALTHAM COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2010

Exhibit 5

	Business-type Activities- Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 225,971
Accounts receivable (net of allowance for uncollectibles of \$583,657)	<u>45,552</u>
Total Current Assets	<u>271,523</u>
Noncurrent assets:	
Capital assets:	
Capital assets, net	<u>159,269</u>
Total Noncurrent Assets	<u>159,269</u>
Total Assets	<u>430,792</u>
LIABILITIES	
Current liabilities:	
Claims payable	20,285
Due to other funds	6,595
Advances from other funds	27,828
Unearned revenue	34,796
Capital debt:	
Capital leases payable	<u>22,762</u>
Total Current Liabilities	<u>112,266</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	<u>5,431</u>
Total Noncurrent Liabilities	<u>5,431</u>
NET ASSETS	
Invested in capital assets, net of related debt	136,507
Restricted for:	
Public works	<u>176,588</u>
Total Net Assets	\$ <u>313,095</u>

The notes to the financial statements are an integral part of this statement.

WALTHALL COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2010

	Business-type Activities- Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 706,385
Total Operating Revenues	<u>706,385</u>
Operating Expenses	
Cost of sales	
Personal services	356,597
Contractual services	154,082
Materials and supplies	62,985
Depreciation expense	34,047
Indirect administrative cost	6,595
Total Operating Expenses	<u>614,306</u>
Operating Income (Loss)	<u>92,079</u>
Nonoperating Revenues (Expenses)	
Property tax	19
Interest income	4,895
Intergovernmental grants	3,200
Interest expense	(1,740)
Other income	29,043
Net Nonoperating Revenue (Expenses)	<u>35,417</u>
Changes in Net Assets	127,496
Net Assets - Beginning	<u>185,599</u>
Net Assets - Ending	\$ <u><u>313,095</u></u>

The notes to the financial statements are an integral part of this statement.

WALTHAM COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2010

Exhibit 7

	Business-type Activities- Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 700,746
Payments to suppliers	(214,081)
Payments to employees	(358,346)
Net Cash Provided (Used) by Operating Activities	128,319
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	3,200
Cash received from property taxes	19
Other receipts	29,043
Net Cash Provided (Used) by Noncapital Financing Activities	32,262
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(36,949)
Interest paid on debt	(1,740)
Net Cash Provided (Used) by Capital and Related Financing Activities	(38,689)
Cash Flows From Investing Activities	
Interest on deposits	4,895
Net Cash Provided (Used) by Investing Activities	4,895
Net Increase (Decrease) in Cash and Cash Equivalents	126,787
Cash and Cash Equivalents at Beginning of Year	99,184
Cash and Cash Equivalents at End of Year	\$ 225,971
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 92,079
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	34,047
Provision for uncollectible accounts	52,843
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(51,734)
Increase (decrease) in claims payable	3,010
Increase (decrease) in due to other funds	6,595
Increase (decrease) in compensated absences liability	(1,773)
Increase (decrease) in unearned revenue	(6,748)
Total Adjustments	36,240
Net Cash Provided (Used) by Operating Activities	\$ 128,319

The notes to the financial statements are an integral part of this statement.

WALTHAM COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 87,379
Due from other funds	<u>7,660</u>
Total Assets	<u>\$ 95,039</u>
LIABILITIES	
Amounts held in custody for others	\$ 34,179
Intergovernmental payables	<u>60,860</u>
Total Liabilities	<u>\$ 95,039</u>

The notes to the financial statements are an integral part of this statement.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Walthall County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Walthall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

- Walthall County Airport Board
- Walthall County Economic Development Authority

Discretely Presented Component Unit

The component unit column in the financial statements include the financial data of the following component unit of the county. The component unit is reported in a separate column to emphasize that it is legally separate from the county. A majority of the members of the governing body of this component unit are appointed by the county Board of Supervisors.

Walthall County General Hospital is an acute care hospital established by Walthall County as a special purpose government entity under the laws of the State of Mississippi. The Hospital is owned by the county and is governed by a Board of Trustees appointed by the county Board of Supervisors.

The discretely presented component unit is audited by independent auditors, and their financial statements are issued under separate cover. The audited financial statements are available from the discretely presented component unit.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activities or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Multicraft Building Fund - This fund is used to account for the revenue and expenditures related to the Multicraft Building industrial site.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Walthall County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

O. Patient Service Revenue

The Hospital has agreement with third party payors, primarily Medicare and Medicaid, which provide for payments to the Hospital at amounts different from its established rates. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors due to audits, reviews and investigations.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The Hospital provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as revenues.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$4,196,512, and the bank balance was \$4,408,640. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 6,595
Other Governmental Funds	General Fund	36,379
Agency Funds	General Fund	7,660
Total		<u>\$ 50,634</u>

The General Fund receivable is the amount of indirect cost due to solid waste operations. All other amounts represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ <u>27,828</u>

The General Fund receivable represents the amount of indirect cost due to solid waste operations.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 411,749
Other Governmental Funds	General Fund	444,649
Other Governmental Funds	Other Governmental Funds	<u>179,336</u>
Total		\$ <u>1,035,734</u>

The principal purpose of interfund transfers was to provide funds for budgeted items. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 51,889
FEMA	122,054
Mississippi Department of Transportation	86,600
Department of Archives and History	<u>15,840</u>
Total Governmental Activities	\$ <u>276,383</u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
108 Tylertown Bldg., LLC (Kalencom)	12/15/2008	3.00%	12/31/2028	\$ <u>1,210,560</u>

WALTHAM COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
Non-depreciable capital assets:					
Land	\$ 177,661	5,000			182,661
Total non-depreciable capital assets	177,661	5,000	0	-	182,661
Depreciable capital assets:					
Infrastructure	2,203,154	62,721			2,265,875
Buildings	4,128,385	106,579			4,234,964
Improvements other than buildings	332,654				332,654
Mobile equipment	4,512,753	428,218	206,420	322,000	5,056,551
Furniture and equipment	914,934	5,995			920,929
Leased property under capital leases	334,810	219,370		(322,000)	232,180
Total depreciable capital assets	12,426,690	822,883	206,420	-	13,043,153
Less accumulated depreciation for:					
Infrastructure	203,100	35,649			238,749
Buildings	1,017,262	369,715			1,386,977
Improvements other than buildings	56,426	8,435			64,861
Mobile equipment	2,935,975	520,655	174,381	159,390	3,441,639
Furniture and equipment	454,691	115,889			570,580
Leased property under capital leases	179,052	46,042		(159,390)	65,704
Total accumulated depreciation	4,846,506	1,096,385	174,381	0	5,768,510
Total depreciable capital assets, net	7,580,184	(273,502)	32,039	0	7,274,643
Governmental activities capital assets, net	\$ 7,757,845	(268,502)	32,039	0	7,457,304

*Adjustments were to reclassify paid off capital leases.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 204,352				204,352
Leased property under capital leases	<u>173,880</u>				<u>173,880</u>
Total depreciable capital assets	<u>378,232</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>378,232</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	122,308	18,395			140,703
Furniture and equipment					
Leased property under capital leases	<u>62,608</u>	<u>15,652</u>			<u>78,260</u>
Total accumulated depreciation	<u>184,916</u>	<u>34,047</u>	<u>0</u>	<u>0</u>	<u>218,963</u>
Total depreciable capital assets, net	<u>193,916</u>	<u>34,047</u>	<u>0</u>	<u>0</u>	<u>159,269</u>
Business-type activities capital assets, net	<u>\$ 193,316</u>	<u>(34,047)</u>	<u>0</u>	<u>0</u>	<u>159,269</u>

Component unit:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 25,000				25
Total non-depreciable capital assets	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>
<u>Depreciable capital assets:</u>					
Land improvements	94,085				94,085
Buildings and improvements	2,228,152	75,098			2,303,250
Buildings under capital lease	763,273				763,273
Fixed equipment	1,362,316	40,460			1,402,776
Major movable equipment	2,311,287	147,727	90,000	(83,098)	2,285,916
Major movable equipment under capital lease	391,429	140,000		83,098	614,527
Minor equipment	824,617	15,000			840,217
Automobiles	<u>17,389</u>	<u>4,290</u>			<u>21,679</u>
Total depreciable capital assets	<u>7,992,548</u>	<u>423,175</u>	<u>90,000</u>	<u>0</u>	<u>8,325,723</u>

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Less accumulated depreciation for:</u>					
Land improvements	\$ 94,085				94,085
Buildings and improvements	1,847,792	125,876			1,973,668
Buildings under capital lease	644,768	17,358			662,126
Fixed equipment	1,133,380	30,059			1,163,439
Major movable equipment	2,188,041	63,402	67,545		2,183,898
Major movable equipment under capital lease	186,326	91,907	22,455		225,778
Minor equipment	760,438	24,722			785,160
Automobiles	<u>17,389</u>	<u>429</u>			<u>17,818</u>
Total accumulated Depreciation	<u>6,872,219</u>	<u>353,753</u>	<u>90,000</u>	<u>0</u>	<u>7,135,972</u>
Total depreciable capital assets, net	<u>1,120,329</u>	<u>69,422</u>	<u>0</u>	<u>0</u>	<u>1,189,751</u>
Business-type activities capital assets, net	<u>\$ 1,145,329</u>	<u>69,422</u>	<u>0</u>	<u>0</u>	<u>1,214,751</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 7,962
Public safety	331,078
Public works	336,900
Health and welfare	79,762
Culture and recreation	303,337
Economic development and assistance	<u>37,346</u>
Total governmental activities depreciation expense	<u>\$ 1,096,385</u>
Business-type activities:	
Solid waste	<u>\$ 34,047</u>
Component Unit:	
Walthall County General Hospital	<u>\$ 353,753</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$49,003 for the year ended September 30, 2010. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>		<u>Amount</u>
2011	\$	49,003
2012		49,003
2013		41,085
2014		30,000
2015		30,000
2016 – 2020		150,000
2021 – 2025		150,000
2026 – 2030		150,000
2031 – 2035		150,000
2036 – 2040		150,000
2041 – 2045		150,000
2046 – 2050		150,000
2051 – 2055		150,000
2056 – 2060		150,000
2061 - 2065		150,000
		<u>70,000</u>
Total Minimum Payments Required	\$	<u><u>1,769,091</u></u>

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Buildings under capital lease			763,273
Mobile equipment	\$ <u>232,180</u>	<u>173,880</u>	<u>614,527</u>
Total	232,180	173,880	1,377,800
Less: Accumulated depreciation	<u>65,704</u>	<u>78,260</u>	<u>887,904</u>
Leased Property Under Capital Leases	\$ <u><u>166,476</u></u>	<u><u>95,620</u></u>	<u><u>489,896</u></u>

WALTHAM COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The following is a schedule by years of the total payments due as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 57,888	6,010	22,762	365
2012	46,027	4,201		
2013	47,612	2,616		
2014	48,149	977		
2015	<u>3,074</u>	<u>8</u>		
Total	\$ <u>202,750</u>	<u>13,812</u>	<u>22,762</u>	<u>365</u>

<u>Year Ending September 30</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 86,069	12,105
2012	56,606	7,424
2013	40,398	4,024
2014	33,920	1,313
2015	<u>2,416</u>	<u>8</u>
Total	\$ <u>219,409</u>	<u>24,874</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Multi-purpose building (1998)	\$ 220,000	5.00%	01/2014
Multi-purpose building (2000)	255,000	5.35%	03/2015
Library building (2001)	165,000	5.00%	02/2016
Multicraft building refunding	<u>545,000</u>	5.37%	11/2013
Total General Obligation Bonds	\$ <u>1,185,000</u>		
B. Capital Leases:			
District 2 tractor	\$ 6,697	4.50%	07/2011
District 5 tractor	6,697	4.50%	07/2011
District 1 wheel loader	70,474	3.39%	10/2014
District 2 wheel loader	70,474	3.39%	10/2014
District 2 tractor w/mower	<u>48,408</u>	3.39%	08/2014
Total Capital Leases	\$ <u>202,750</u>		

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
C. Other Loans:			
Fire truck	\$ 26.66	4.53%	08/2012
Fire truck	68,828	3.00%	04/2015
CAP loan – Georgia Pacific	575,022	3.00%	05/2026
Wheel loader	42,000	4.42%	02/2012
F-150 pickup	4,750	3.82%	12/2011
Emergency communication equipment	149,450	3.69%	06/2013
Durapatcher	16,390	3.26%	04/2013
Tractor	22,198	4.29%	06/2014
Fire truck	<u>24,000</u>	4.04%	06/2014
Total Other Loans	<u>\$ 929,298</u>		
Business-type Activities:			
A. Capital Leases:			
Garbage trucks	<u>\$ 22,762</u>	3.82%	05/2011
Component Unit:			
A. Capital Leases	<u>\$ 219,409</u>	2.86/16.83%	07/1905
B. Other Loans	<u>\$ 112,669</u>	5.07%	09/2017

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 245,000	55,724	153,642	30,173
2012	265,000	42,327	151,016	24,454
2013	270,000	28,268	134,299	19,932
2014	290,000	13,556	38,084	14,415
2015	85,000	3,721	33,060	13,193
2016 – 2020	30,000	750	181,011	50,254
2021 – 2025			210,264	21,001
2026 – 2030			<u>27,922</u>	<u>344</u>
Total	<u>\$ 1,185,000</u>	<u>144,346</u>	<u>929,298</u>	<u>173,766</u>

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Component Unit:

Year Ending September 30	Other Loans	
	Principal	Interest
2011	\$ 13,760	5,395
2012	14,474	4,681
2013	15,225	3,930
2014	16,015	3,140
2015	16,846	2,309
2016 – 2020	36,349	1,961
Total	\$ 112,669	21,416

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 1.24% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 72,051	4,677			76,728	
General obligation bonds	1,425,000		240,000		1,185,000	245,000
Capital leases	83,957	219,370	100,577		202,750	57,888
Other loans	1,079,230	30,000	179,932		929,298	153,642
Total	\$ 2,660,238	254,047	520,509	0	2,393,776	456,530
Business-type Activities:						
Compensated absences	\$ 7,204		1,773		5,431	
Capital leases	59,711		36,949		22,762	22,762
Total	\$ 66,915	0	38,722	0	28,193	22,762
Component Unit:						
Capital leases obligations	\$ 195,098	140,000	115,689		219,409	86,069
Note payable	125,747	299,700	312,778		112,669	13,760
Total	\$ 320,845	439,700	428,467	0	332,078	99,829

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, 911 Emergency Fund and Solid Waste Fund.

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Joint Ventures.

The county participates in the following joint ventures:

Walthall County is a participant with the Counties of Amite and Pike in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Pike-Amite-Walthall Regional Library System. The joint venture was created to provide library service for the three counties and is governed by five board members. The Counties of Amite and Pike appoint two board members each and Walthall County appoints one board member. By contractual agreement, the county's appropriation to the joint venture was \$93,305 in fiscal year 2010. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southwest Mississippi Community College operates in a district composed of the Counties of Amite, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints two of the 14 members of the college board of trustees. The county appropriated \$325,861 for the operation and maintenance of the college in fiscal year 2010.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$9,094 for support of the district in fiscal year 2010.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$17,313 for its support in fiscal year 2010.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Walthall County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$37,320 for support of the district in fiscal year 2010.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(14) Defined Benefit Pension Plan.

Plan Description. Walthall County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$261,827, \$254,775 and \$249,838, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligation(s):

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
12/15/2010	2.62%	\$	37,000	Loan	Ad valorem taxes
02/15/2011	2.64%		22,000	Loan	Ad valorem taxes
02/24/2011	3.17%		40,000	Loan	Ad valorem taxes
06/06/2011	2.55%		215,500	Loan	Solid Waste User Fees
07/08/2011	2.95%		22,000	Loan	Ad valorem taxes

WALTHAM COUNTY

(This page left blank intentionally.)

WALTHAM COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WALTHAM COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,638,500	2,602,948	2,602,948	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	135,000	157,689	157,689	
Fines and forfeitures	150,000	135,322	135,322	
Intergovernmental revenues	792,000	851,939	851,939	
Charges for services	15,000	10,395	10,395	
Interest income	89,500	82,929	82,929	
Miscellaneous revenues	94,000	116,107	114,001	(2,106)
Total Revenues	<u>3,914,000</u>	<u>3,957,329</u>	<u>3,955,223</u>	<u>(2,106)</u>
EXPENDITURES				
Current:				
General government	2,181,439	2,216,914	2,216,914	
Public safety	1,152,600	1,223,514	1,223,514	
Public works	31,800	33,131	33,131	
Health and welfare	200,104	192,467	192,467	
Culture and recreation	3,000	2,200	2,200	
Education	275,000	239,542	239,542	
Conservation of natural resources	75,051	69,219	69,219	
Economic development and assistance	58,594	55,480	55,480	
Debt service:				
Principal	19,000			
Total Expenditures	<u>3,996,588</u>	<u>4,032,467</u>	<u>4,032,467</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(82,588)</u>	<u>(75,138)</u>	<u>(77,244)</u>	<u>(2,106)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		418,143	421,203	3,060
Transfers out		(448,104)	(448,104)	
Other financing sources	304,350			
Other financing uses	(368,000)	(88,546)	(87,042)	1,504
Total Other Financing Sources and Uses	<u>(63,650)</u>	<u>(118,507)</u>	<u>(113,943)</u>	<u>4,564</u>
Net Change in Fund Balance	(146,238)	(193,645)	(191,187)	2,458
Fund Balances - Beginning	<u>1,802,382</u>	<u>2,084,458</u>	<u>2,084,458</u>	
Fund Balances - Ending	<u>\$ 1,656,144</u>	<u>1,890,813</u>	<u>1,893,271</u>	<u>2,458</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

WALTHALL COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ (191,187)
Increase (Decrease)	
Net adjustments for revenue accruals	(237,570)
Net adjustments for expenditure accruals	<u>358,050</u>
GAAP Basis	\$ <u><u>(70,707)</u></u>

WALTHAM COUNTY

(This page left blank intentionally.)

WALTHAM COUNTY

SPECIAL REPORTS

WALTHAM COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Walthall County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 28, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Walthall County General Hospital, as described in our report on Walthall County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and on compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walthall County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-1, 10-2 and 10-3 to be material weaknesses.

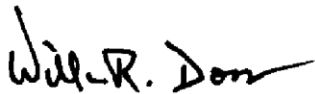
A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 10-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walthall County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Walthall County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 28, 2012, included within this document.

Walthall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Walthall County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 28, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Walthall County, Mississippi

We have examined Walthall County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Walthall County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

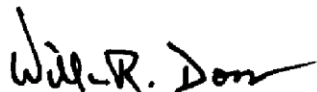
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Walthall County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Walthall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Walthall County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, somewhat stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 28, 2012

WALTHALL COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

WALTHALL COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

WALTHALL COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
4/5/2010	10 inch foot section feed rail, fluorescent Lights, 2 inch air lines with connectors a ¾ inch air lines with connectors	\$ 8,500	Johnny Harthorn

WALTHAM COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Walthall County, Mississippi

In planning and performing our audit of the financial statements of Walthall County, Mississippi for the year ended September 30, 2010, we considered Walthall County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Walthall County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 28, 2012, on the financial statements of Walthall County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

The authorization of interfund transfers should be spread on the board minutes.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), required a complete and correct record to be maintained for the proceedings of the Board of Supervisors. As reported in the prior years audit report, interfund transfers were not spread on the minutes. Failure to properly document authorizations for interfund transfers by the board could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should ensure that all interfund transfers in the Board of Supervisor's minutes.

Board of Supervisors' Response

We will keep a closer watch to ensure that transfers are documented.

A contract with a third party credit card processor should be spread on the board minutes.

2. Finding

Section 17-25-1, Miss. Code Ann.(1972), allows for the payment of various taxes, fees and other accounts receivable to the county by credit cards, charge cards, debit cards and other forms of electronic payment, in accordance with policies established by the State Auditor. According to Circular No.14, as established by the Office of the State Auditor, the Board of Supervisors may enter into a contract with one or more credit card issuers, financial institutions or third party credit card processors to authorize these types of electronic payments. The contract may be entered into by negotiation and must be recorded on the Board of Supervisors' minutes. As reported in the prior year audit report, the Board of Supervisors authorized the online payment of Justice Court fines through a third party credit card processor, without negotiating and recording a contract on its minutes. This failure to negotiate and record a contract resulted in noncompliance with circular No.14 and could result in the loss of misappropriation of public funds.

Recommendation

The Board of Supervisors should negotiate and record on its minutes a contract with this third party credit card processor.

Board of Supervisors' Response

Although the motion was recorded in the minutes, we never received a copy of the contract. We will secure a copy of the contract with the provider as soon as possible.

Chancery Clerk.

The clerk should notify bank officials when county deposits exceed 25% of average daily balances.

3. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. As reported in prior year audit report, the bank officials were not notified when an increase in deposits exceeded 25% of the average daily balance. Failure to perform to notify the bank officials increases the risk that the county's total deposits may not be properly collateralized.

Recommendation

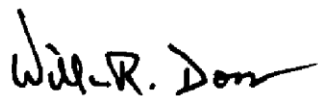
The Chancery Clerk should ensure the bank is notified when appropriate.

Chancery Clerk's Response

The clerk will comply with the code section and notify the bank when the deposits exceed the 25% of average daily balance.

Walthall County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 28, 2012

WALTHAM COUNTY

(This page left blank intentionally.)

WALTHAM COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WALTHAM COUNTY

(This page left blank intentionally.)

WALTHALL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

Internal controls should be strengthened to include adequate segregation of duties for county bookkeeping functions.

10-1. Finding

An effective system of internal control should include an adequate segregation of duties.

As reported in the prior year audit report, revenue collection and general ledger maintenance functions are not adequately segregated to assure adequate internal control structure. The bookkeeper receipts funds, prepares deposits, reconciles the county's bank statements and posts the receipts to the general ledger. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the revenue collections and general ledger maintenance functions.

Board of Supervisors' Response

Small counties, like Walthall do not have the resources to be able to segregate all duties; however, the clerk of the Board will review, and has reviewed, the monies coming into the county.

WALTHALL COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2010

Board of Supervisors.

Significant Deficiency – Material Weakness

Internal controls should be strengthened to include adequate segregation of duties over payroll functions.

10-2. Finding

An effective system of internal control should include an adequate segregation of duties.

As reported in the prior year audit report, the maintenance of the general ledger, proceeding of payroll and other payroll duties are not adequately segregated to assure adequate internal controls structure. Based on testwork, we noted the following internal control weaknesses in the payroll functions:

- a. The bookkeeper, who maintains the general ledger, also prepares the payroll and distributes the payroll checks.
- b. Payroll is not subject to final approval by someone independent of payroll preparation and recordkeeping.
- c. Authorization for all payroll status changes should be recorded in the Board of Supervisors minute books.

The conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisor should implement a system of internal controls that will ensure proper segregation of duties exists with respect to control of the general ledger, processing of payroll and other payroll duties.

Board of Supervisors' Response

- a. We will do our best to comply and correct this finding.
- b. All future payroll will be examined and signed by the chancery clerk.
- c. Any further change in employee status will be duly noted in the board minutes.

Justice Court Clerk.

Significant Deficiency – Material Weakness

Internal controls over cash receipts and disbursements should be strengthened in the Justice Court Clerk's office.

10-3. Finding

An effective system of internal control over cash receipts and disbursements in the Justice Court Clerk 's office should include reconciling the monthly bank statements to the cash journal and making timely monthly settlements. The following deficiencies were noted in the Justice Court Clerk's office:

- a. As reported in the prior two years' audit reports, the monthly bank statements were not reconciled to the cash journal.
- b. As reported in the prior two years' audit reports, timely monthly settlements were not made during the year under audit.

WALTHALL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2010

- c. As reported in the prior two years' audit reports, the former Justice Court Clerk is under investigation.

These deficiencies in internal control could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should implement policies to ensure that the monthly bank statements are reconciled to the cash journal and timely settlements are made.

Justice Court Clerk's Response

As of 2011, the Justice Court is now settling on time.

Sheriff.

Significant Deficiency

The Sheriff's office should make daily deposits.

10-4. Finding

An effective system of internal control over cash requires that daily bank deposits be made. The Sheriff failed to make daily deposits throughout the fiscal year. This failure to make daily deposits could result in the misappropriation of public funds.

Recommendation

The Sheriff should implement internal controls to ensure that daily bank deposits are made.

Sheriff's Response

We will comply.